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Principles of Performance and Cost Management in the Armed Forces of the United States

Chapter One Introduction



Historic Backdrop

- **The armed forces are highly challenged to implement practices that improve the way its organization is managed.**
- **During the past years CAM-I concepts have been mainly developed within a manufacturing context.**
- **While SFFAS 4 (Statement of Federal Financial Accounting Standards) provides a good framework of standards the methods must be more fully developed**
- **The challenge of this group is to convert the CAM-I tool kit to an armed forces context, containing practices and examples from one of the world's largest, most complex organizations.**



Vision

A framework, guiding principles and chosen practices that accelerate and sustain constant innovation in the application of Performance and Cost Management through a documented investigation of significant learning and experiences.



- **Leverage CAM-I as a collaborative forum to:**
 - Deliver a coherent set of guiding principles and concepts for Performance and Cost Management implementation and sustainment in the armed service.
 - Base the principles on practical experiences within the armed services and CAM-I concepts and tool sets.



Target Audience

- **Armed Services Leadership**
- **Champions and Implementers**
- **Policy statement proposed to top leadership**



1. What are the institution's current PCM decision processes?

- **How is the organization being managed now/what is the current framework?**
 - Does organization have management accounting function?
 - Where is the PCM initiative managed in your organization?
 - Are there incentives in your organization to use PCM?
- **What actions has your institution taken? What are the institution's current PCM management practices and principles?**
 - What kind of written PCM policies do you have now?
 - What kind of PCM skills and training are we developing?
 - How are we organized to implement PCM?
 - What PCM practices and tools are being used (focus on Value Quest's seven)
 - How is data integrity being assured?
 - What are the key concepts/diagrams/PowerPoint illustrations that are used to inspire your organization to use PCM
- **How are PCM practitioners helping decision makers now?**
 - What decision domains are being affected (again, refer to *Value Quest*)
- **What are the key management processes influenced by PCM?**
 - Installation management?
 - Systems acquisition?
 - Operations? Depots?
- **What kind of relevant PCM decisions are our leaders making based on PCM?**
 - What other impact is PCM having now?



2. How did the current processes evolve?

- **What were the internal driving factors influencing implementation of PCM practices?**
 - **What guiding principles and environmental factors influenced these decision making processes?**
 - Guiding principles and concepts
 - Mission
 - Statutory
 - Chain of command
 - PPBE and accountability
 - **How did your organization implement PCM tools, what process was used?**
 - Highly standard driven/funded from above
 - Local effort
 - **Who were the key people in your organization who brought the program this far and where are they in the organization?**
 - **What are the significant results your organization has achieved?**
-



3. What are the desired practices (future practices)?

- **What are the key PCM practices that should be emphasized/**
 - What CAMI strategic business processes should we concentrate on in the future?
Why?
 - **What are the necessary guiding principles?**
 - **What are the outcomes/decisions that these practices will enhance?
(Gap that will be filled)**
 - **What is the framework? What kind of decisions should leaders be making?**
 - What kind of impact should PCM be making on management processes
 - What kind of PCM tools should we be concentrating on?
 - What kind of common PCM standards are needed?
 - What kind of skill sets are required? What kind of education do we need?
 - How should we organize to achieve these practices?
 - **What kind of planning has/is your organization doing to achieve desired future state?**
 - **How should your organization organize to implement PCM?**
 - **What are the key principles that need to be adopted in the ideal future state?**
-

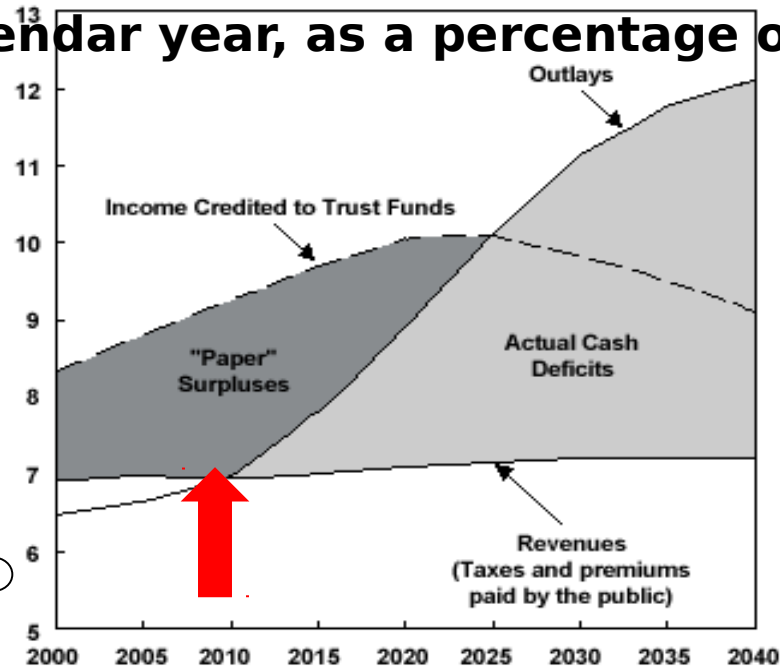


The Biggest Reason We MUST Learn to Manage Performance and Cost: Competition for Federal \$\$

Projected Outlays for Social Security and Medicare Outstrip the Programs' Revenues Sooner Than the Trust Funds Reflect

(By calendar year, as a percentage of GDP)

Other reasons include:
Modernization
Aging equipment
Aging facilities
Increased QOL



Source: Congressional Budget Office based on Social Security Administration, *The 2002 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (March 26, 2002); and Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, *2002 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds* (March 26, 2002).



Burning Platforms



4. How will the institution get there?

- **What are the key principles that need to be adopted/or emphasized in the ideal future state?**
 - CAMI concepts?
 - FSSAF #4?
 - **How are we going to execute on a tactical and strategic level?**
 - What role do we need OSD/DoT to play
 - What role do the armed services HQ need to play
 - What role do the local organizations need to play?
 - **What actions do we need to take to make CAMI concepts resonate in armed services?**
 - **What are the key external and internal factors that will affect this process and how?**
 - **Who are the key stakeholders that must be included?**
-



5. How will this future state be sustained?

- **How will PCM influence the rate and success of innovations in the organization?**
 - **What are the key actions you think need to be taken to influence success of PCM in your organization for the future?**
 - **What are the tactical and strategic implementation enablers?**
 - Top level buy-in?
 - Well defined skill sets and training investments?
 - Choice of the right tools?
 - Development of common language and policies?
 - Common software?
 - Usefulness of data as integrated element of business processes?
 - **How are those enables developed?**
 - **What are the elements of PCM success?**
 - **What metrics do we use to measure degree of PCM success?**
-



- **Objective: Excite senior leaders through a coherent set of guiding principles for Performance and Cost Management implementations based on practical experiences within the armed forces.**
- **Purpose: Current environment is littered with "how-to" books.**
 - Books provide the strategies, but there is limited leadership belief in applicability of the doctrine to the military environment
 - Will show principles in action
 - A philosophic view of competing priorities senior leaders must continually balance readiness, cost, capability and risk
- **Errors happen at the principle level, not at the how to level.**



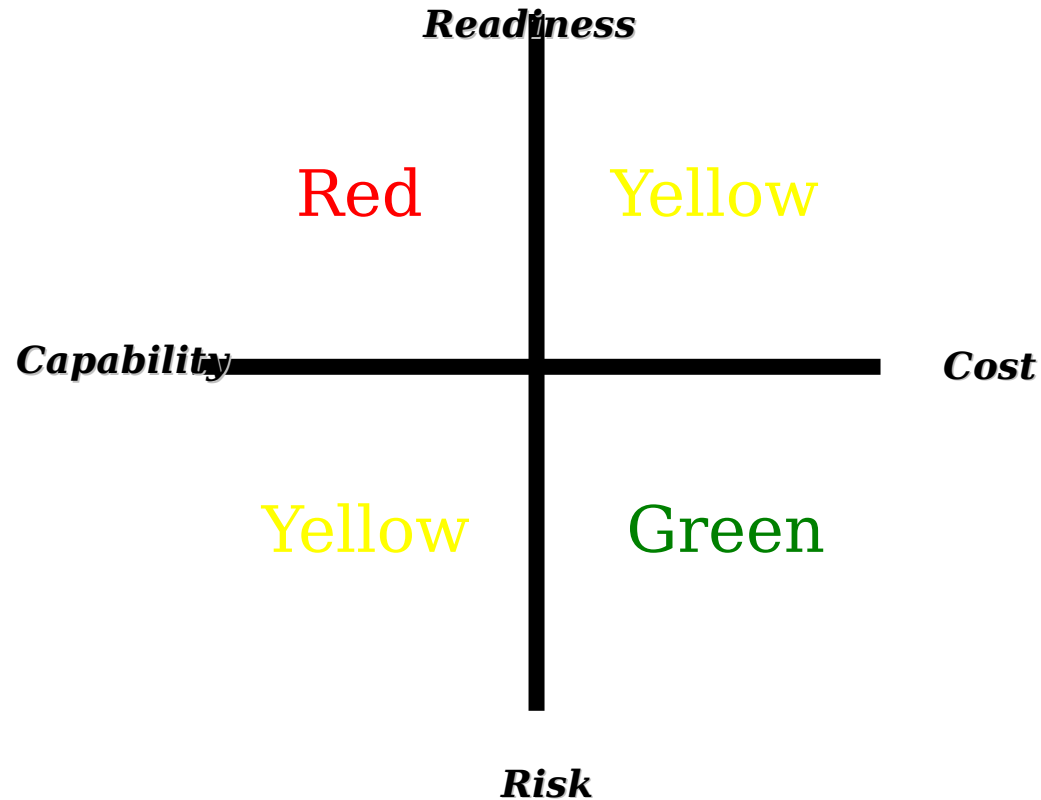
- **Define Performance and Cost Management**
- **Why this book exists/is different**
 - This is the first book of its kind that is written by and focused on the unique armed services environment
- **Organization of the book**
- **For whom the book is intended**
- **The challenge faced by senior leadership**
 - budgeting, resource, time....
- **Historical backdrop**



- **Performance is pervasive term**
 - Performance budgeting
 - Performance based contracts
 - Managing civilians based on performance
- **Unanswered is what do you need to manage performance**
 - Key information (cost information is foundational)
 - Planning process that aligns organizational goals
 - Skill sets that support achievement of goals



Visual





Key Takeaways

- **Guiding principles that help frame senior leadership actions in a transforming war fighting environment**
- **The knowledge of how to apply those principles**
- **The role of PCM in the overall armed services' integrated performance management framework**

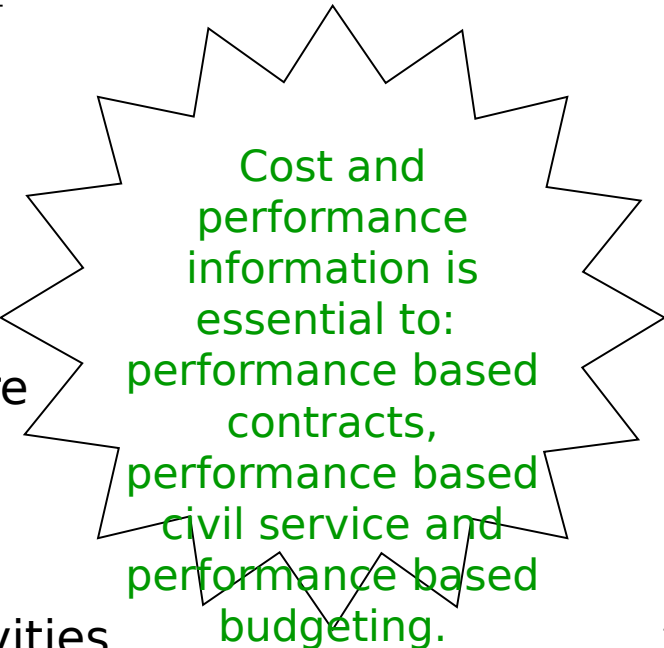


Armed Services Have Been Told
Repeatedly to Collect Information
Necessary
to Manage Performance



The Need for Cost and Performance Information

- External mandates:
 - President
 - Congress
 - FASAB
 - SecDef
 - Dramatically increasing budget pressure
- Internal requirements to :
 - Know full costs of activities
 - Understand how outputs consume activities
 - Understand how outputs to strategic goals
 - Reduce uncertainty in decision-making
 - Create flexibility in resource allocation
 - Support benchmarking and best practice analysis



Cost and performance information is essential to: performance based contracts, performance based civil service and performance based budgeting.



Federal Cost and Performance Policy Selected Sources

- **1950 Budget and Accounting Procedures Act**
 - Required support of budget justification by information on performance and program/unit costs by organizational units
- **1956 Public Law 84-863**
 - Permitted President to submit annual budget information on a cost basis and to include information on program accomplishments
- **1990 Chief Financial Officers Act**
 - Established CFO responsibilities for budget/performance integration
- **1993 Government Performance and Results Act**
 - Required submission of strategic plans, annual performance plans, and performance reporting
- **1995 Statement of Federal Financial Accounting Standards #4**
 - Established managerial accounting concepts and standards
- **1996 Federal Financial Management Act**
 - Required full costing
 - Made FASAB standards, concepts and reporting requirements official
- **President's Management Agenda**



SFFAS #4

Managerial Cost Accounting Standards

- 1) Accumulate and report costs of activities on a regular basis**
- 2) Establish responsibility segments to match costs with outputs**
- 3) Determine full costs of government goods and services**
- 4) Recognize costs of goods and services provided among federal entities**
- 5) Use appropriate cost methodologies to accumulate and assign costs to outputs**

SFFAS = Statement of Federal Financial Accounting Standards.

Produced by Federal Accounting Standards Advisory Board (FASAB).

Federal Financial Management Act of 1996 required adoption of FASAB standards by federal government.



Case Study/Information Requirements

- **TBD**



Chapter Two

Readiness Before Cost



Readiness before cost

- **Objective: Convince reader these 2 priorities are linked**
 - Readiness for battle comes before cost, but cannot be achieved in the long run without it
 - Purpose of PCM is to optimize readiness in constrained cost environment.
 - Although we value efficiency, we don't sacrifice readiness for it.
 - If you plan for readiness, cost can become a side effect - otherwise cost can drive readiness
- **Purpose: Acknowledge senior leaders' priorities towards readiness and identify PCM as an essential ingredient for readiness**
- **Tax payers want the Armed Forces to be effective first ... but also efficient**
 - But do it efficiently, not a battle between two
 - Efficiency is a factor that if you ignore will hurt you in the long run
 - Efficiency can contribute to effectiveness
 - One aspect of readiness is understanding and tightly managing cost

Cost: (Measurement of dollars is not cost)

- Consumption of resources (people, time, equipment, leadership energy, usually measured in terms of dollars)
- Cost management (budget and cost are not the same thing- it's about activity based costs and cost management)
- Priorities are not absolute, but when the two come into conflict, readiness is first. Ideally, they will not come into conflict.

Readiness:

- Capability to deploy operational forces to accomplish the mission. Cost can be a constraint.
- Readiness is in part a by product of efficiency since resources are always limited. Some missions may have priority over others. Some are mission imperatives, vice a good idea.



Main Points

- **We know that you know that services' value readiness, capability and risk, and that cost is one element of each**
 - CP info are designed for use in a balanced way to support service mission
 - Armed Services wants to achieve vision at optimal cost - this outcome requires cost and performance data
 - PCM management is about optimizing the use of resources
 - Cost and performance must be balanced
- **CP info. are the “Intel” of armed forces business processes.**
 - CP measurement is a compass to your ability to perform missions on a continuing basis
- **PCM must be embedded in the organization's core values and culture**
 - An operating philosophy that is subordinate to readiness, but necessary to its achievement
 - Closely related to Passion before Productivity

Measurement: Collecting the information

Management: Making decisions based on the information

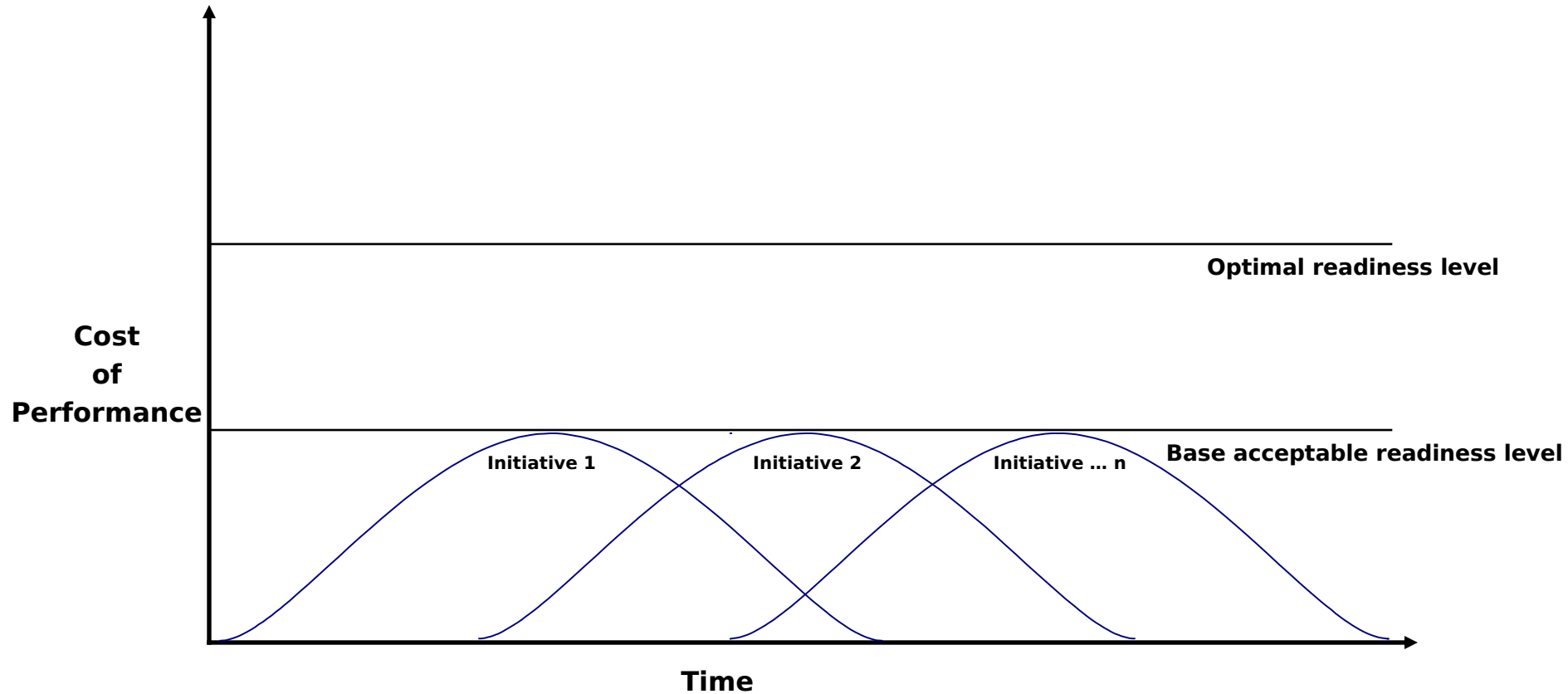


Main Points

- **Cost and performance must be balanced, not necessarily equally**
 - Cost and performance info are designed for use in a balanced way to support the service mission
 - A minimum level of performance is required, regardless of cost
 - Armed services wants to achieve vision at optimal cost
 - the outcome requires cost and performance information
- **Performance and Cost Management is about optimizing the use of resources**
 - Achievement of efficiencies mitigates cost constraints and maximizes performance outcomes
- **PCM is part of managing risk**

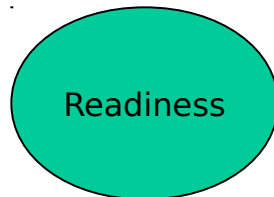


Visual

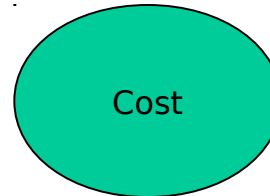




- **Need bubbles for readiness and cost that illustrates the contention between the two**
 - With summary below each bubble
 - Show similar visual for each chart



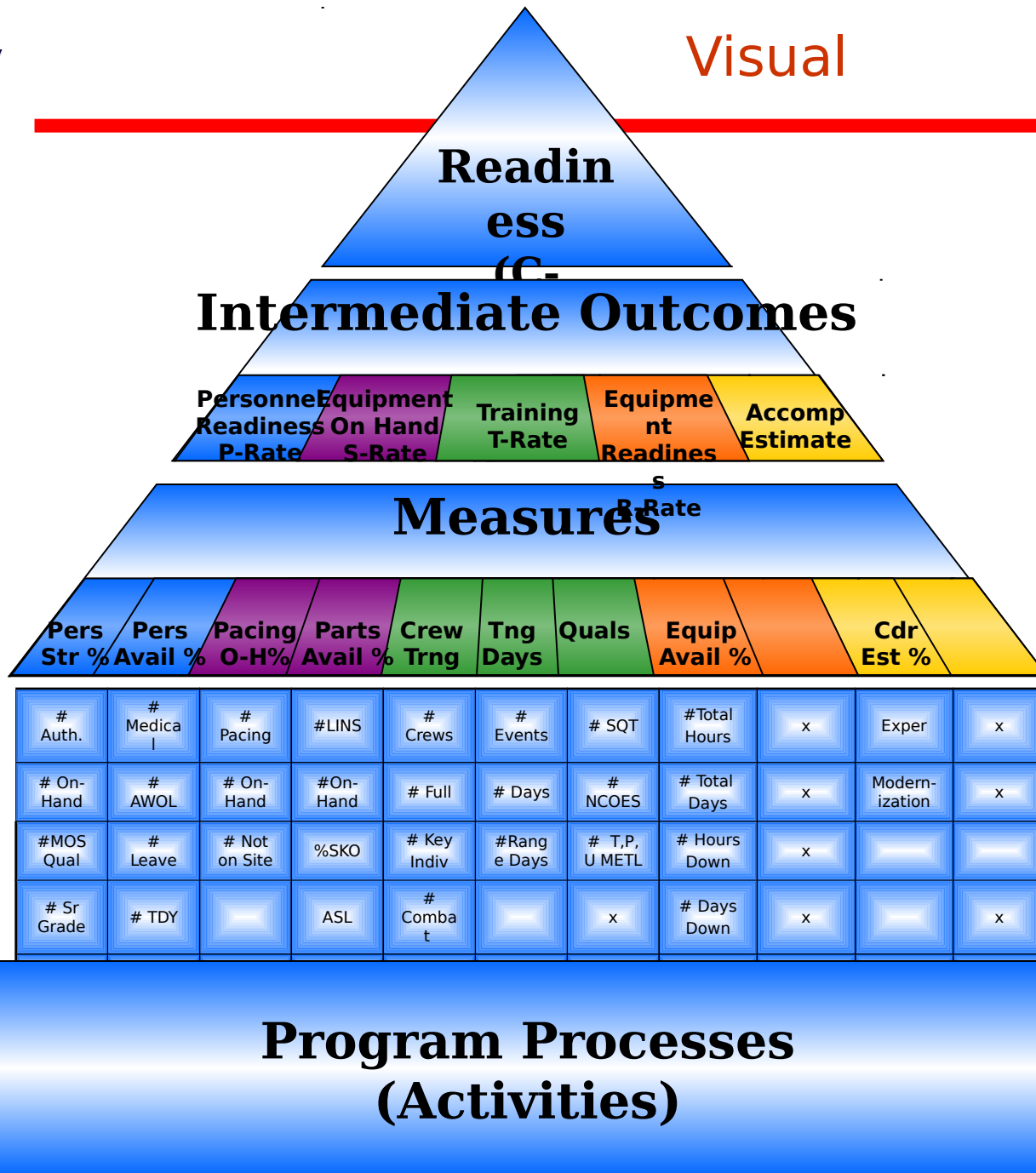
Key Points



Key Points



Visual





Key Takeaways

- **Improved readiness is a logical outcome of sound PCM**
- **Knowledge of how to apply PCM techniques is part of the METL**



- **USCG ARSC Elizabeth City**
 - **USN linking cost to service levels**
 - **USCG Capt Drahos interview**
 - **USMC Lejeune**
 - **USAF Wright Patterson model**
-
- **Put spider chart together for results of survey**



Assessment Questions

- **Cost and Performance Information**[\[mm2\]](#)
 1. Available for process [outputs](#) [\[mm3\]](#)
 2. Outcome(s) (readiness/combat) identified and contribution of outputs can be [linked](#) [\[mm4\]](#)
 -
- **Vision Achievable at Minimum Cost**
 1. Activities contributing to outputs have been identified and costing data ascribed to [each](#)
 2. Performance metrics identified and data collected and tabulated for [most](#) [\[mm7\]](#)
 -
- **Performance and Cost Management Used to Optimize Resources**
 - Provides sufficient [data](#) [\[mm8\]](#) to make trade off decisions among conflict activities/[outputs](#) [\[mm9\]](#)
 - Use for [operation](#) [\[mm10\]](#) decisions.



Chapter Three

Meaning Before Mandates



Meaning Before Mandates: Main Points

- **Mandate fuels, but meaning is more powerful**
 - Need meaning (clear perceived value) with a mandate
 - You can mandate seatbelts, but have to believe it's important to really get people to do it
 - Meaning needs to be set by upper management/upper management must understand PCM too
 - Belief in value of PCM needs to be shared widely/belief often based on understanding
- **PCM because it is the right thing to do**
 - Not just because it's a mandate (mandates alone will probably fail)
- **It takes more than the mandate to make change**
 - Must be understood first/recognize true value of what you do
 - Otherwise, won't catch on throughout the organization
- **Leaders have a tool to identify and justify (or not) the linkage between the institution's idea of right to the operating leaders' idea of right**
 - e.g. readiness reporting
- **Key “meaning” is that PCM is not about finance, it is fundamentally understanding the operational processes of the organization**

Meaning: (“It’s operational imperative for the organization to have PCM because...”)

- knowing the right thing to do/show people how it works and what the value statement is
- successfully communicating why we are doing PCM, what is true purpose behind it
- more than a check in the box, people have internalized it

Mandate: (“Go implement PCM”)

- the institution's expression of the right thing to do/what needs to be done
- hard to succeed on mandate alone/it’s meaning that lasts



- **The objective of strategy is to obtain the highest goal achievable with the resources available.**
- Von Moltke



Meaning before mandates

- **Objective:**
 - Convince the reader that these two priorities are linked
 - PCM info. are the “intel” of armed forces business processes
 - To achieve meaning across the organization, PCM must be embedded (which is largely the result of understanding value and communication) in the organization’s values and culture
 - What are the core values/culture that is affected? How PCM helps the Marines deploy MEU. How PCM helps USCG conduct SAR or drug bust.
- **Purpose:**
 - Leaders must balance doing the right thing with mandates to reflect the right intent, actions and results.
 - Mandates that aren’t founded on meaning stink/don’t add value
 - Very difficult to drive mandates from for political purposes only
 - PCM is one of those right things.
 - Leaders need to understand/have meaning before mandating
- **Mandates without meaning/aren’t implemented can actually undermine organizational effectiveness/be counterproductive**
- **Don’t mandate something unless you mean it**



Mandates (Miscellaneous discussion)

- **See congressional slides on performance that have not taken effect, in part because we have not converted meaning of mandate to organization**
 - **Yet we should have been doing this because the reason congress has been mandating for 54 years or more is because it is a good idea, we need to develop the meaning**
 - **Sometimes ignoring mandate can bite (secdef and PBD 712)**
 - **Congress is starting to beat agencies up on PART**
 - **Issue of stewardship carries a lot of meaning to military and civil servants in armed service organizations/ in addition our people are also taxpayers.**
 - **Can we do a little documentation of failed mandates vs. mandates with meaning added to them (joint service to be promoted; see surveys for specific examples ; use of data to support rates/challenges; FAA mandate changes airline designs based on real need after problem is well understood; MADD/laws linking highway funds to drinking age; BRAC;)**
 - **Case studies and survey results should provide info here**
-



Key Takeaways

- **Management responsibility to put meaning in mandates**
- **Mandates should be the expression of the institution's definition of the right thing, and emanate from its mission, strategy and values**
- **A tool to identify and justify (or not) the linkage between the institution's idea of right to the operating leaders' idea of right**
- **Universal “meaning” in PCM:**
 - improves readiness,
 - stewardship



Meaning before mandates

- **Cost and performance information is the “intel” of armed forces business processes.**
 - Precursor measures are critical to allow good planning and budgeting
- **Cost and performance measurement must be embedded in the organization’s values and culture**
 - Top to bottom understanding of performance linkages from the floor to the board room
 - Ensure individual performance plans support directly organizational objectives
 - Take the METL and apply it to the business structure
- **Cost and performance measures must be relevant and provide accountability for achieving outcomes**
 - OMB A-11 requires measurement of outcome achievement
 - Outputs are workload; outcomes are achievement



- **Army, Ft. Huachuca**
- **USAF SysCom/Wright Patterson**
- **CNI**
- **Navy SE BOD**
- **Ft. Bragg**
- **SAF-FM**
- **USMC Scorecard at Air Station**



Chapter Four

Passion Before Productivity



Passion before productivity

- **Armed Services always want to achieve vision (first priority)**
 - It plans in an unconstrained environment, then fights for the necessary resources to achieve the plan
 - While the POM process may stretch the timeline, the vision does not change; it keeps making incremental progress
- **Leadership commitment and involvement are essential**
 - Executive Steering Committee must be in place
 - Leaders must take visible action to overcome obstacles
- **Change management strategy must be embedded in the implementation plan**
 - Include in overall education and training plan for leadership and workforce
 - Use the Coast Guard ARSC example
- **Desired results must be clearly articulated and regular progress reported to all stakeholders**
 - Set stretch objectives by volume and time (USMC)
 - Adequate and evolving PM systems tell the story

~~Maintaining passion/commitment over leadership changes is critical~~

Passion

Challenge

- Desire, energetic, excitement, believe, commitment, aggressive
- Early results/clear productivity improvement can help maintain commitment
- An intense commitment and desire to create energy and excitement in your beliefs and actions.

Productivity

- Results, more with less, measurement, efficiency, strategic alignment
- Maximizing value added results relative to available resources



- **Case studies**

- Camp Lejeune case study
 - Across multiple top leadership changes
- CNI
- Fort Huachuca
- Navy regions (compare and contrast)
 - Relations between the region, the leader, what happened when leader with passion left
- Coast Guard support center ISC's
- NavAir ABC implementation

- **Links**



Takeaways/Bottom line

- **Leadership commitment is essential**
 - Communication and change management strategy must be established
 - Maintaining commitment over course of leadership changes is critical (How do you do that?)
- **Passion is a discriminating factor that can be the difference between success and failure**
- **Achievement of improved performance requires a highly intense display of sustained, forceful passion to inspire improved productivity.**
- **Improved productivity is inspired by a highly intense display of sustained, forceful passion for results.**



Chapter Five

Targets Before Tasks



Targets Before Tasks

- **Purpose and objectives (1 slide)**
 - Establishment of performance targets and performance measures are essential for the armed services. More detailed C&P info. is required at service - local commands level to manage day to day program toward org mission/vision ... (similarities to Principle of War - Unity of Command)
 - Quotes/comments from Baldrige Quality Examination Principles?
 - What will be different:
 - Day-to-day performance would be closely aligned to strategic planning
 - Organizational performance would be strategically and operationally aligned with service and joint operation planning. Eventually, alignment should clearly match all the way to DPG and NSS.
 - Better alignment and allocation of resources would result.
 - Better visibility, common communication of targets and measures, benchmarking
 - Can't manage what you don't measure
- **Lay out Main Points in words (1-2 slide):**
 - Targets are relative to the level of the service (CINC targets are different; command level vs. field level)
 - Successful performance measure requires 3 ingredients:
 - Business Metrics: standard info., business nature
 - Process Metrics: effective/pragmatic mgmt framework
 - People Metrics: skills, development and communication
- **Present a visual of main point (s) 1 (slide)**
 - Know the target before firing the weapon (i.e. Ready / Fire / Aim taking place, need to Aim first)
- **Lay out key takeaways (1 slide)**
 - PCM is an imperative for sound strategic and operational decision making, facilitates communication and allows for focusing on areas that don't match targets
- **Info requirements (1 slide)**
 - Who has (and uses) strategic/operational performance measurement targets?
 - Survey or case study tie-in?



“Targets Before Tasks”

Purpose and Objective

- May be better crunched together with Strategy before Work and Outcomes before Outputs
- Establishment of performance targets and performance measures are essential for the armed services. Utilization of detailed cost and performance information can boost efficiency, effectiveness and performance at the local commands as lower-level managers begin to understand the linkages between inputs, activities and customers.
- Targets . The goals/targets must be closely aligned with the mission and vision of the organization which, as a result of putting Strategy Before Work, is a focusing of the strategic plan.
- Targets have to be based on how you are running operations. Targets are based on strategies.

Targets Quotes/comments from Baldrige Quality Examination

- goals that will drive the tactical use of resources

Tasks

- steps required to achieve the targets



“Targets Before Tasks”

Main Points

- Targets (cost, quality, time) are relative to the level of the service or organization/command within the service. The individual commands must translate the strategic plan, mission, and vision of the supervisory echelon in order to develop relevant targets. These targets must be focused on performance and cost management in that they are aimed at improving internal processes, value to the customer or knowledge within the organization.
- Leaders at every level of the organization require indoctrination and guidance in the preparation and communication of targets. Not all commands have leaders and/or managers trained or accustomed to the developing of relevant targets. The services are still fighting a mindset of “get it done at all costs”. The mission and strategic goals of the services are being accomplished, but the resources may not be aligned.
- Targets and measures are not just calculations and lofty ideals of service; they actually serve two purposes:
 - First, they provide directions and techniques for achieving the desired targets;
 - Second, they act as the scorecard for how well the desired objective is being met. Leaders disseminate the targets; subordinates determine the most efficient tasks required to effectively achieve the targets.
- Took out performance before targets, there are many kinds of targets. Our targets are generic (cost, quality, time)



“Targets Before Tasks”

Visuals

- Employees must know the target and the expected “measurement of success” (i.e. how many bull's-eyes are required) before firing the weapon.
- Image of a gun with the target in sight: idea is that you aim before firing the weapon



Image of a
road map or
mile markers?



“Targets Before Tasks”

Takeaways

- Better alignment and allocation of resources will result
 - Better visibility, common communication of targets and measures, benchmarking
 - PCM allows for awareness of areas that don't achieve performance targets
 - Tactical performance goals would be closely aligned to service and command strategic planning



Bottom line

- **Don't run off doing a bunch of things before understanding the targets**
- **Center the tasks around the desired outcome**



“Targets Before Tasks”

Information Requirements

- **Who has (and uses) strategic/operational performance measurement targets?**
 - **Used by a variety of organizations to measure the success of policy and strategy implementations. A couple examples (from National Strategy Decision Making Case Studies include NSA, ...)**

- **Survey or case study tie-in?**
 - **Check with Bob**



Chapter 6

Strategy Before Work



Strategy Before Work

- **Purpose and objectives (1 slide)**
 - Why we're doing this: PMA and "common sense" establishes policy and requirement for C&P. Development of strategic plan
 - PCM is an imperative for sound strategic and operational decision making. Leadership strategy drives PCM
- **Lay out Main Points in words (1-2 slide)**
 - C&P info. in services should be based on high level standards in Armed Services. NSS → NMS → DPG → CINCs. All these formulate and distillate key mission and vision applicable to each level of organizations
 - More detailed C&P info. is required at service - local commands level to manage day to day program toward org mission/vision (points to GP of "Targets before Tasks")
- **Present a visual of main point (s) 1 (slide)**
 - Without strategy, you're operating in the dark
 - If you don't know where you're going, any road will take you there?
 - Ladder up against the right wall?
 - Visually how policy becomes strategy becomes operations becomes tactics become tasks
- **Lay out key takeaways (1 slide)**
 - What will be different
- **Info requirements (1 slide)**
 - Can we validate that cost and performance strategies are represented in service chief policy/doctrine/guidance or strategy? Or, does it come from OSD and DHS?

Strategy

- Top leadership's plan to communicate and align direction and vision. (Visual is a compass pointing between cost and mission or performance axis.)

Work

- Energy/resources expended to perform tasks in order to achieve output.

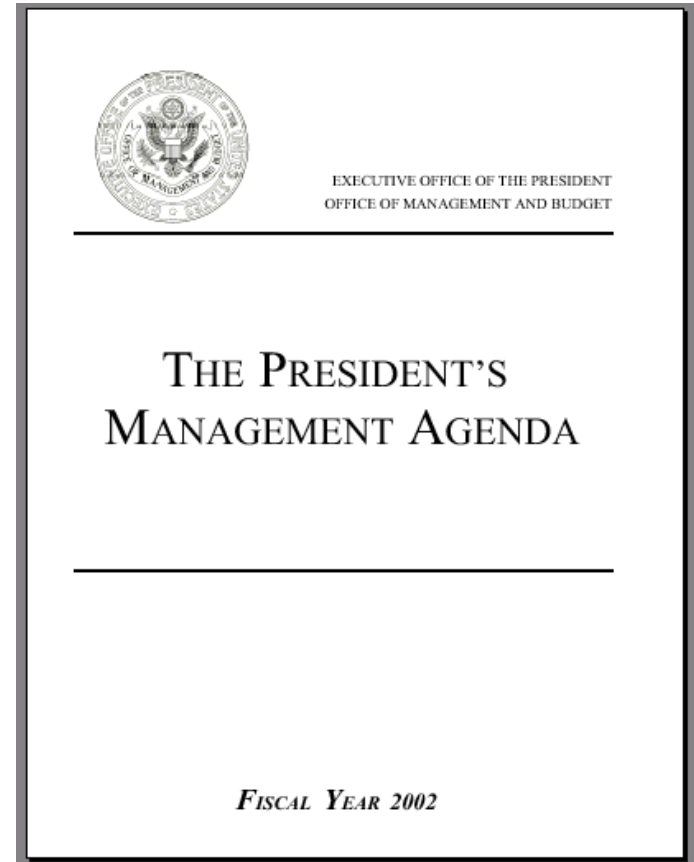


“Strategy Before Work”

Purpose and Objective

“Government likes to begin things — to declare grand new programs and causes and national objectives. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises. In my Administration, that will be the standard from the farthest regional office of government to the highest office of the land.”

President George W. Bush





“Strategy Before Work”

Purpose and Objective

Federal government programs need cost information in the following five areas:

- Budgeting and Cost Control
- Performance Measurement
- Determining Reimbursements (setting fees)
- Program Evaluations
- Making Economic Choice Decisions

Source: SSFAS #4 – *Managing Cost Accounting Concepts and Standards for the Federal Government* (Para 31)



“Strategy Before Work”

Main Points

- Top Leadership has a Strategic Plan which communicates vision and direction to the execution levels.
 - It is applied at the Enterprise level, Organizational Level, Center/ Installation level.
 - Key Success Indicators –
 - Communicated
 - Awareness at the execution levels
 - Linked to performance plans/contract deliverables
- Tactical plan(s) are aligned/linked to Strategic Plan and are driving your mission.
- Specific PCM objectives are identified and driving towards your mission.



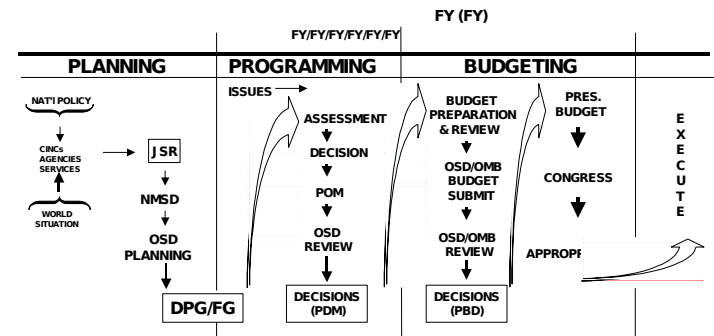
“Strategy Before Work” Visuals

- Without strategy, you're operating in the dark
- If you don't know where you're going, any road will take you there?
- Ladder up against the right wall?
- Visually how policy becomes strategy becomes operations becomes tactics become tasks
- Web/radar diagram

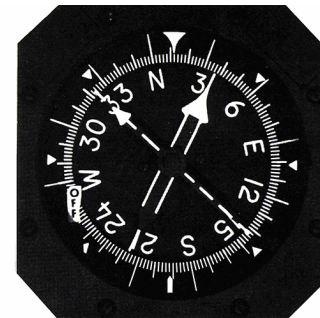


PPBS BASICS

PPBS Flow



16

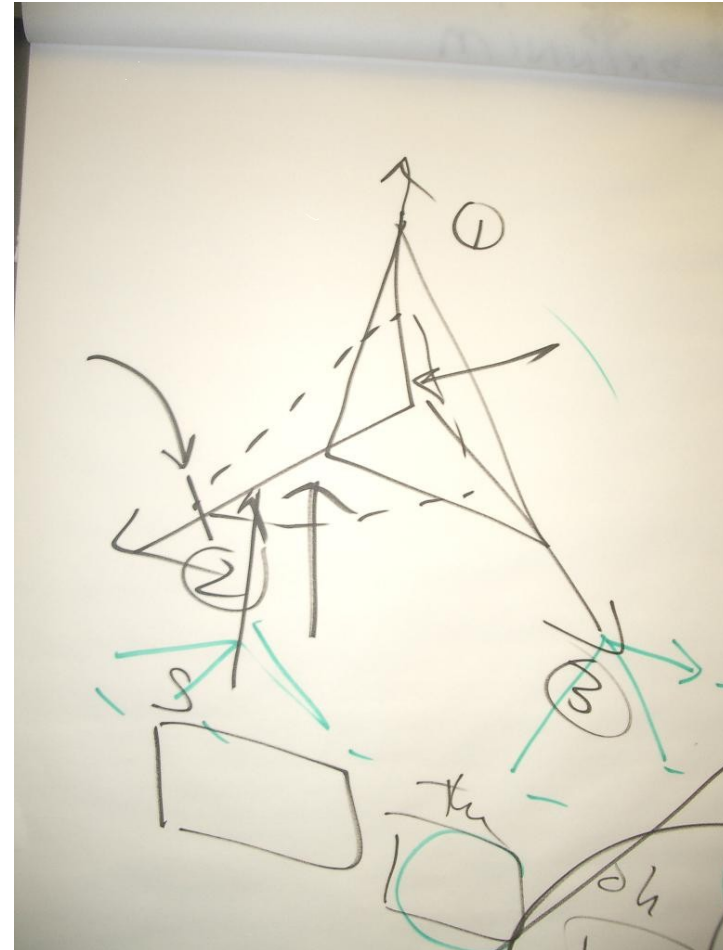




“Strategy Before Work” Visuals

- **Visuals**

- Using strategy to align organizational objectives
 - Solid line represents actuals, dotted represents desired
 - The gap between the two represents the misalignment due to a lack of strategy
- Compass with the pointer between mission and cost
- Marines/Ships with one headed in the wrong direction





“Strategy Before Work”

Takeaways

- **People and organizations need to understand the strategy that is being employed before beginning work**
- **Understanding the strategy allows leaders to make decisive and rapid tactical decisions**
 - **Organizational performance strategically and operationally aligned with service and planning**
 - **The direction of the organization’s strategy must be targeted toward stakeholders**



“Strategy Before Work”

Information Requirements

- **Can we validate that cost and performance strategies are represented in service chief policy/doctrine/guidance or strategy? Or, does it come from OSD and DHS?**

- **HQMC POM Guide:**

<http://www.usmc-mccs.org/Director/POM/downloads/FUNDAMENTALS%20OF%20RESOURCING.doc>

- **USCG: Under development, due in June 2004**

- **DHS Performance Budget Overview (FY05)**

http://www.dhs.gov/interweb/assetlibrary/2004PBO_FINAL_29_JAN_04.pdf



Case Study/Information Requirements

- **TBD**



Chapter 7

Outcomes Before Outputs



Outcomes Before Outputs

- **Purpose and objectives (1 slide)**
 - Why we're doing this: In the armed services, we are more focused on effectiveness (i.e. mission accomplishment) than on efficiency. C&P measurements and information allow decision makers to make trade offs between outputs and outcomes. Tie in to targets and strategy: performance measurements made in previous GPs must focus on outcomes and not outputs.
 - What will be different: Once resource consumption to task is validated, a measurement of mission, not merely resource, becomes the focus.
- **Lay out Main Points in words (1-2 slide)**
- **Present Visual (other slide)**
 - Planning cycle. The planning cycle empowers decision makers by articulating the relationship between organizational resource consumption, performance, outcomes and strategies
- **Lay out key takeaways (1 slide)**
 - Efficiency, effectiveness and providing information to decision makers
- **Info requirements (1 slide)**

Outcomes

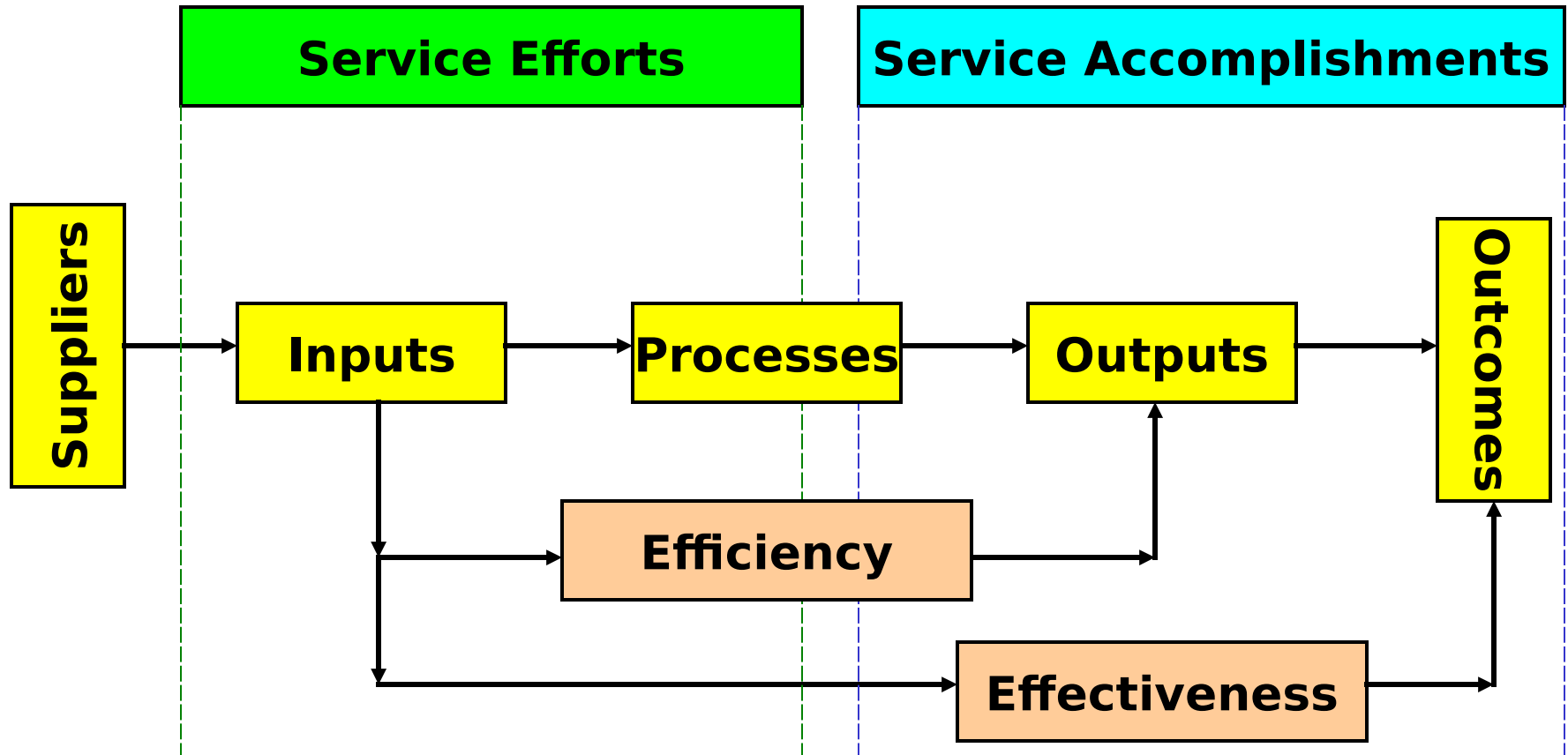
- a measurable result

Outputs

- product of energy expended



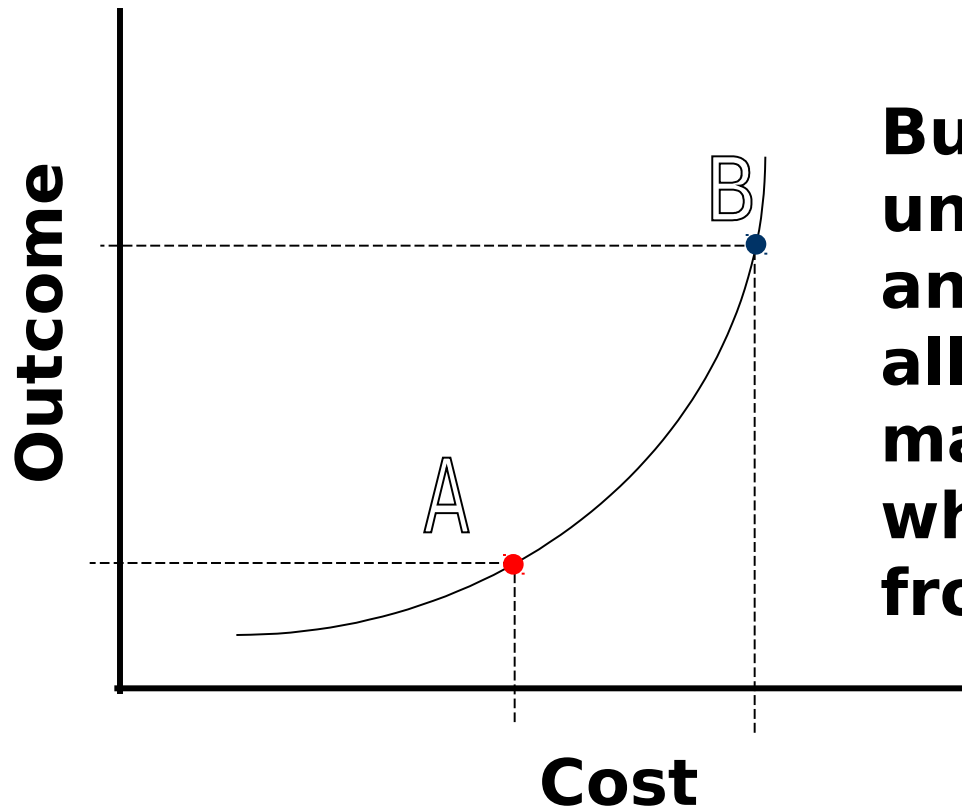
“Outcomes Before Outputs” Visuals



Source?



“Outcomes Before Outputs” Visuals



Building models and understanding cost and performance allows the decision maker to decide whether to move from “A” to “B”.

- RAN Strategic Planning Cycle



“Outcomes Before Outputs”

Takeaways

- PCM should be focused on outcomes
 - Outputs on their own mean very little until aligned with the service or organization’s strategic, operational, and tactical objectives



“Outcomes Before Outputs”

Information Requirements

- Examples from surveys?
- Stated organizational objectives written in policy that we can provide as examples?



Case Study/Information Requirements

- **TBD**



- **Crunch with targets before tasks?**
- **Example**
 - Output: I came to work
 - Outcome: I didn't do any work



- **Strategy/vision**
- **Targets/objectives/strategic thrust/theme**
- **Tasks/Measures**
- **Work/activities**
- **Outputs**
- **Outcomes**



“Outcomes Before Outputs”

Backup Purpose and Objective

- The armed services have been historically more focused on effectiveness (i.e. mission accomplishment) than on efficiency. Cost and performance measurements and information allow decision makers to make trade offs between outputs (efficiency) and outcomes (effectiveness). While outputs yield interesting efficiency information, the data is useless if it is not aligned with operational performance goals. These goals, expressed as desired metrics, should be traceable to service and organization objectives and strategy. With an understanding of this principle, the performance measurements made in previous GPs must focus on outcomes and not outputs.
- Tie-in with Principle of War (Economy of Force)? Economy of Force
- What will be different: Outcomes are measures of mission accomplishment, not merely use of resources.

Outcomes

- the effect of outputs

Tie-in's to Principles of War, Defense Planning Guidance, National Military Strategy, etc. may seem strange to us but make more sense to high-level policy makers.



“Outcomes Before Outputs”

Backup Main Points

- It might cost more to achieve an outcome than to merely get an output. (see visual). Outcomes must be the focus of the service's efforts.
- Outcomes are the best expression of desired end states. The costs, in terms of time and treasure, must be worth the outcome. For example, in the war on terrorism, is it worth the lives of men and women, and the enormous cost of advanced ordnance, to eliminate a “small influence, low level” henchman of Al Qaeda? Senior leaders need to be able to articulate the desired outcomes in terms of measures of effectiveness rather than just outputs. Even more so, by doing so, leaders will begin to consider more cost effective methods for achieving outcomes; for instance, can the same anti-terrorist outcome be achieved with unmanned combat aerial vehicles, thereby not costing the lives of American forces?
- Understanding the model and relationship of strategy, mission, outcomes and cost are crucial for decision makers. Decision makers aren't empowered to make decisions without effective modeling and measurement of processes.
- Ready, fire, aim (wasn't this “Targets before Tasks”)?



Chapter 8: Burning Platforms Before Politics



Burning Platforms Before *Politics* (May need a new word for this one)

- **Purpose and objectives (1 slide)**
 - Why we're doing this: Burning platforms are an everyday reality of the armed services. We are not advocating that C&P information should overshadow policy/politics, but they should be known and understood for consideration by decision makers for the informed/empowered decision.
 - What will be different:
 - Concept is don't ignore the long run for short run urgencies.
 - Environmental issues that are perceived to inhibit improvements. "congress won't let us" "can't resolve across agency boundaries"
 - Politics means the perceived short term environment that inhibits long term strategic changes the organization requires.
 - Capabilities provide a more informative insight and understanding of political, economic implications
 - Survival before bureaucracy ?
- **Lay out Main Points in words (1-2 slide)**
 - Performance and cost analytics should help drive political decisions
 - Certain organizational issues transcend politics and leadership tenures .
 - PCM has a significant role to play in attempting to resolve this tension/burning platforms.
 - PCM analytics are particularly relevant to decision making in a political environment .
- **Visual**
 - ???
- **Lay out key takeaways (1 slide)**
 - Understand the tradeoffs and issues associated with mission by accommodating politics vice service policy
 - There are many burning platforms identified by interagency group that if not dealt with could compromise readiness
 - PCM initiatives are designed with a long term perspective without politics
- **Info requirements (1 slide)**
 - Presentation of 25-28 current burning platforms (from initial AS meeting)
 - Instances where resource decisions were made based on politics to the detriment of mission or effectiveness/efficiency.
 - Consider other armed service examples (small businesses getting screwed by delays in payments)

Burning Platforms

- Set of horizon issues if not addressed will compromise readiness. Things that have to be dealt with sooner or later. Termites in the platform may be better analogy. Some immediate, some looming/looming over the horizon. Real problems.

Politics

- Inhibitors that perpetuate the status quo. "The system won't let us". Perceived bureaucratic barriers.



“Burning Platforms Before Politics”

Purpose and Objective

- Why we’re doing this: Burning platforms are an everyday reality of the armed services. We are not advocating that C&P information should overshadow policy/politics, but they should be known and understood for consideration by decision makers for the informed/empowered decision.



“Burning Platforms Before Politics”

Main Points

- Leaders and managers in the armed services need to understand the costs of the decisions that they make. It is their duty and responsibility to make decisions with a full accounting of the pros and cons. Understanding the impacts of decisions, in terms of cost, effectiveness and efficiency will help to ensure that decision makers are fully empowered to make wise choices.
- Often, even when the costs of a service's efforts and the outcomes that they are striving to achieve are well known, these must take second place to the demands (whims?) of policy and policy makers. This is frustrating to the leadership of the service, but it is a necessary evil that derives from the subordination of military to politics. It is the mission of the financial manager to ensure that the leader/decision makers can communicate the “costs” to the policy maker.



“Burning Platforms Before Politics”

Visuals

- TBD



“Burning Platforms Before Politics”

Takeaways

- Understand the tradeoffs and issues associated with mission by accommodating politics vice service policy
 - Politics are the Inhibitors that perpetuate current status, they are the Environmental issues that inhibit progress
 - Politics are the items that are fixed in the short term. PCM initiatives should address burning platforms despite the inhibitors, do not let the inhibitors structure the initiative
 - Burning platforms that cross agencies should be addressed despite the politics between agencies or organizations
 - PCM data converts our audience into our proponents



“Burning Platforms Before Politics”

Information Requirements

- Presentation of 25-28 current burning platforms (from initial AS meeting)
- Instances where resource decisions were made based on politics to the detriment of mission or effectiveness/efficiency.
- Consider other armed service examples (small businesses getting screwed by delays in payments)



Case Study/Information Requirements

- **TBD**



Chapter 9

Simplicity Before Scale



Simplicity Before Scale

- **Purpose and objectives (1 slide)**
 - Why we're doing this: Implementation focus. Often, without clear direction or oversight, C&P projects/programs can get bogged down in details. Too much detail can actually paralyze the decision maker.
 - What will be different:
 - Talks to scope/basics/don't over engineer/keep it simple
 - Solve a problem and get going before trying to solve the entire issue/world hunger.
 - Successful results are enablers.
 - Understanding when something is piloted and when it is enterprise. Conceptually tried, rapid fire, and commando like implementation.
 - Crawl, walk, run
 - Can't anticipate all the questions/implications of an enterprise initiative.
- **Lay out Main Points in words (1-2 slide)**
 - Communication plan and constant steering of project towards the objective.
 - Can pull main points from other recognized ABC guidance?
- **Visual**
- **Lay out key takeaways (1 slide)**
 - Start small and evolve.
 - Take a pilot and get the kinks out before expanding across the enterprise within the structure of the strategy
- **Info requirements (1 slide)**
- **Keep in mind that we want to always consider simplicity, even as the projects, models, implementations are required to grow to meet the insatiable need and desire for information.**

Simplicity

- Avoid human tendency to over engineer application and underestimate resources required of PCM. Take it one piece at a time.

Scale/Complexity

- Solve the problem before repeatability, sustainability, and maintainability are decided/implemented.



“Simplicity Before Scale”

Purpose and Objective

- Why we’re doing this: Implementation focus. Often, without clear direction or oversight, C&P projects/programs can get bogged down in details. Too much detail can actually paralyze the decision maker.
- What will be different:



“Simplicity Before Scale”

Main Points

- Communication plan and constant steering of project towards the objective.
- Can pull main points from other recognized ABC guidance?
 - Start small and evolve, don't over engineer
 - Pilot, fix errors, and roll out.
 - Timing is important – get to results



"Simplicity Before Scale"

Visuals

- TBD



“Simplicity Before Scale”

Takeaways

- Crawl, walk, run.
- Let the questions that arise drive the project, don't try to anticipate the questions.
- Better to be approximately right than precisely wrong.



"Simplicity Before Scale"

Information Requirements

- **Keep in mind that we want to always consider simplicity, even as the projects, models, implementations are required to grow to meet the insatiable need and desire for information.**



Case Study/Information Requirements

- **TBD**



Chapter 10

Conclusions and Implications



Purpose and objectives

- **Introduce new material**
- **Summarize key book takeaways**

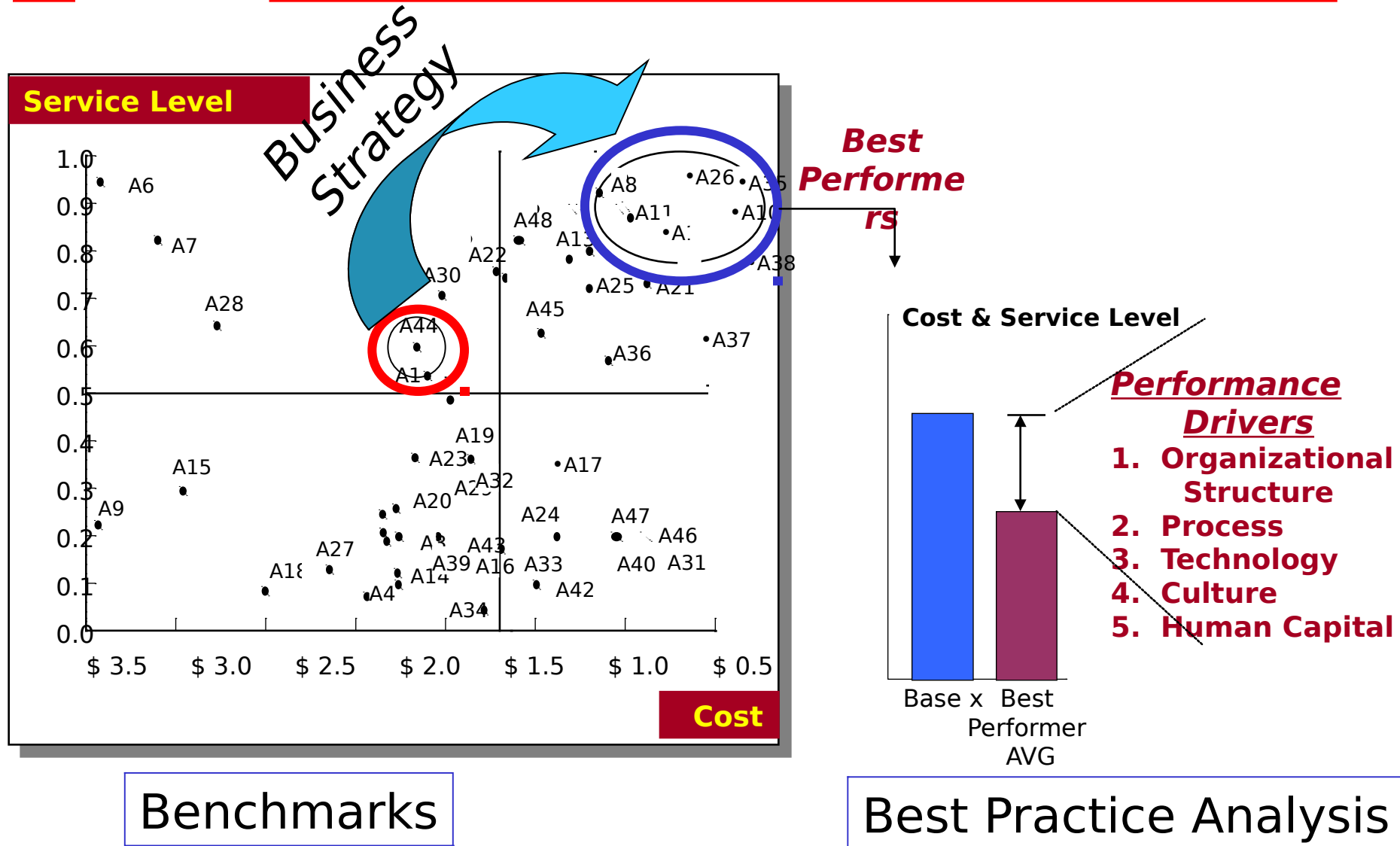


Main Points: New Material

- **What should leadership do**
 - Define clearly where they need to be
 - Within context of 8 principles (ideal on left vs. norm on right)
 - Move the organization
 - Assess capabilities and risks
- **How leadership moves organizations toward PCM**
 - Invest in building/sustaining key capabilities
 - Mitigate risks/impediments
- **The 3 key capabilities/areas that require investment**
 - Information
 - Framework to align organization to strategy
 - Skills
- **The Risks**
 - Our organizations are/or not prepared (risks)
 - Within context of 8 principles (ideal on left vs. norm on right)
 - Lacking meaningful incentives/benefits
 - There are institutional/cultural impediments to success
 - (e.g. successful cost reduction usually followed by loss of funding)

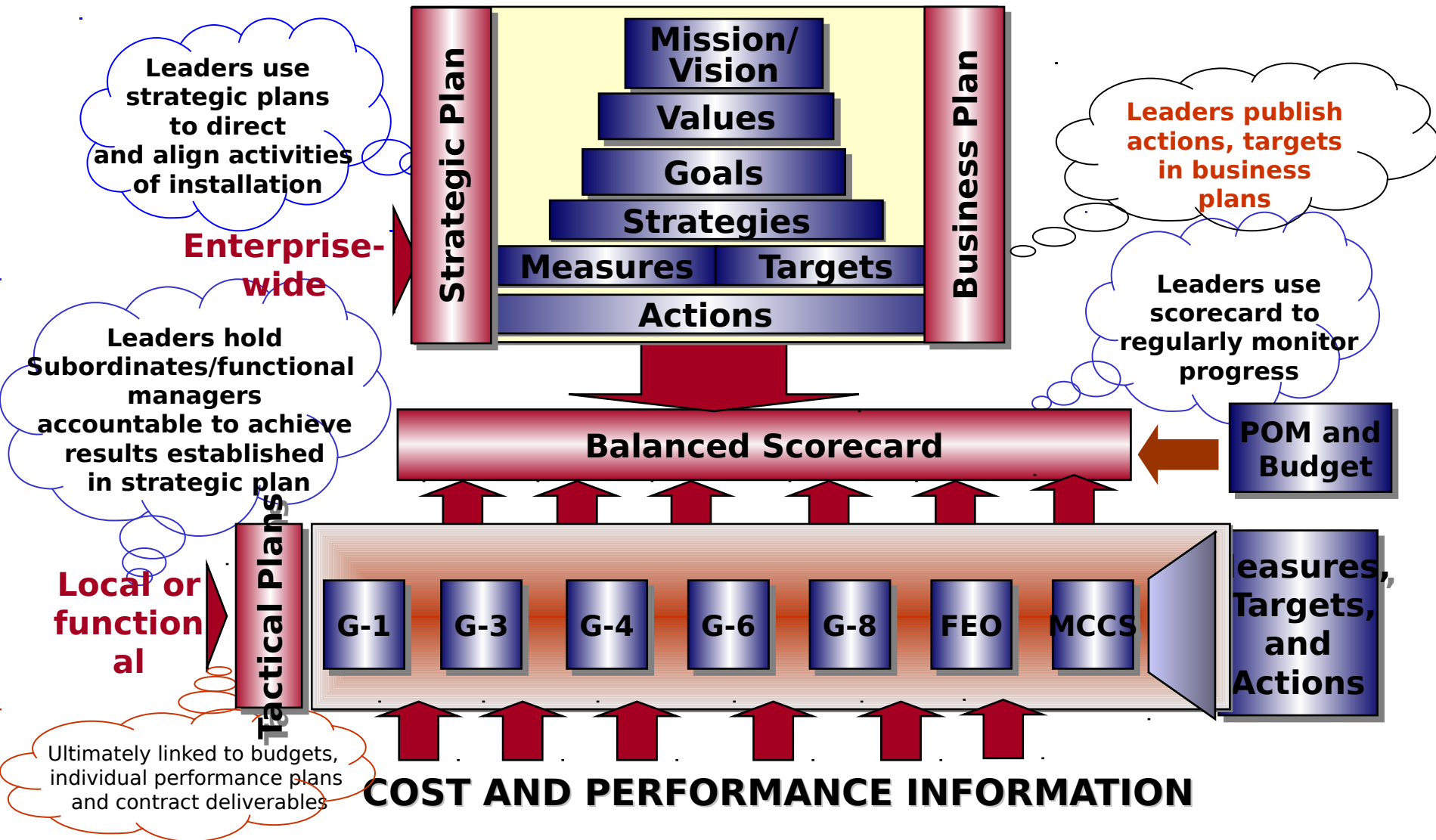


How Information Drives Performance





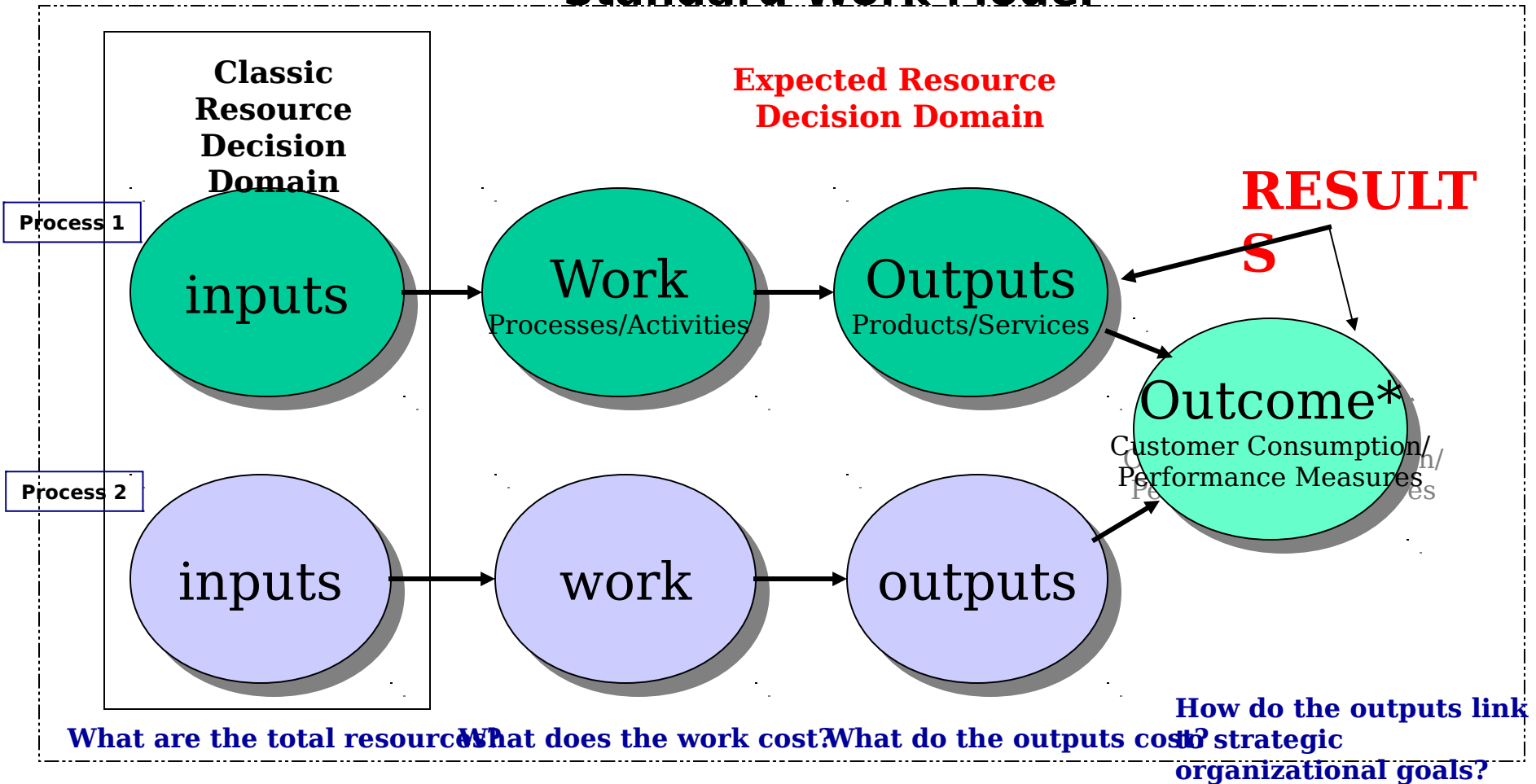
Framework for Managing Performance





Information to Manage Performance

Standard Work Model



* Multiple *outputs* contribute to the same *outcome*



Key Takeaways (1 slide)

- **Why is all this important?**

- Top leadership has already decided to use PCM
- We have to figure out how to do it
- You can't manage performance based on intuition
- Not doing PCM will cause the following problems
- Doing PCM will create benefits/value proposition /address burning platforms
 - (The hottest burning platform is the relentless increase in pressure on federal discretionary funding)
- Other Implications:
 - e.g. future budget adjustments would be based on the amount of work or outputs that we want, vice how many resources we can afford. MEOs are an example of new budget realities: cannot reduce resources without stopping the work. The impact will be discussed more and more in terms of what will not get done as a result of funding reductions. We have to get away from driving organization based on wedges and continuously inspiring commitment to achieve best practices. Parochial interests over broader organizational interests.

- **This book has presented a framework to DO IT**

- Identified 8 principles that can help assess and guide PCM implementation & sustainment
- Defined 3 key capabilities to successfully lead/manage performance/cost
 - Information
 - Framework
 - Skills
- Identified additional tools that can mitigate risk/increase chance for success
- Built principles and concepts on existing knowledge and wisdom (case studies)
 - There is extensive experience in armed services to support these conclusions



- **How prepared are organizations to succeed at PCM? (survey)**
- **What are the existing risks? (survey analysis)**



Chapter 11

Case Studies



- **The “Other half of fact finding”**
 - One half = Literature search
 - The other half = Case study
- **We find examples coordinated with the requirements of the other teams**
 - Survey team provides input on where to do a study and the appropriate POCs
 - Principles teams provide definition on principles and frame what we study
 - We provide our findings to the writing team

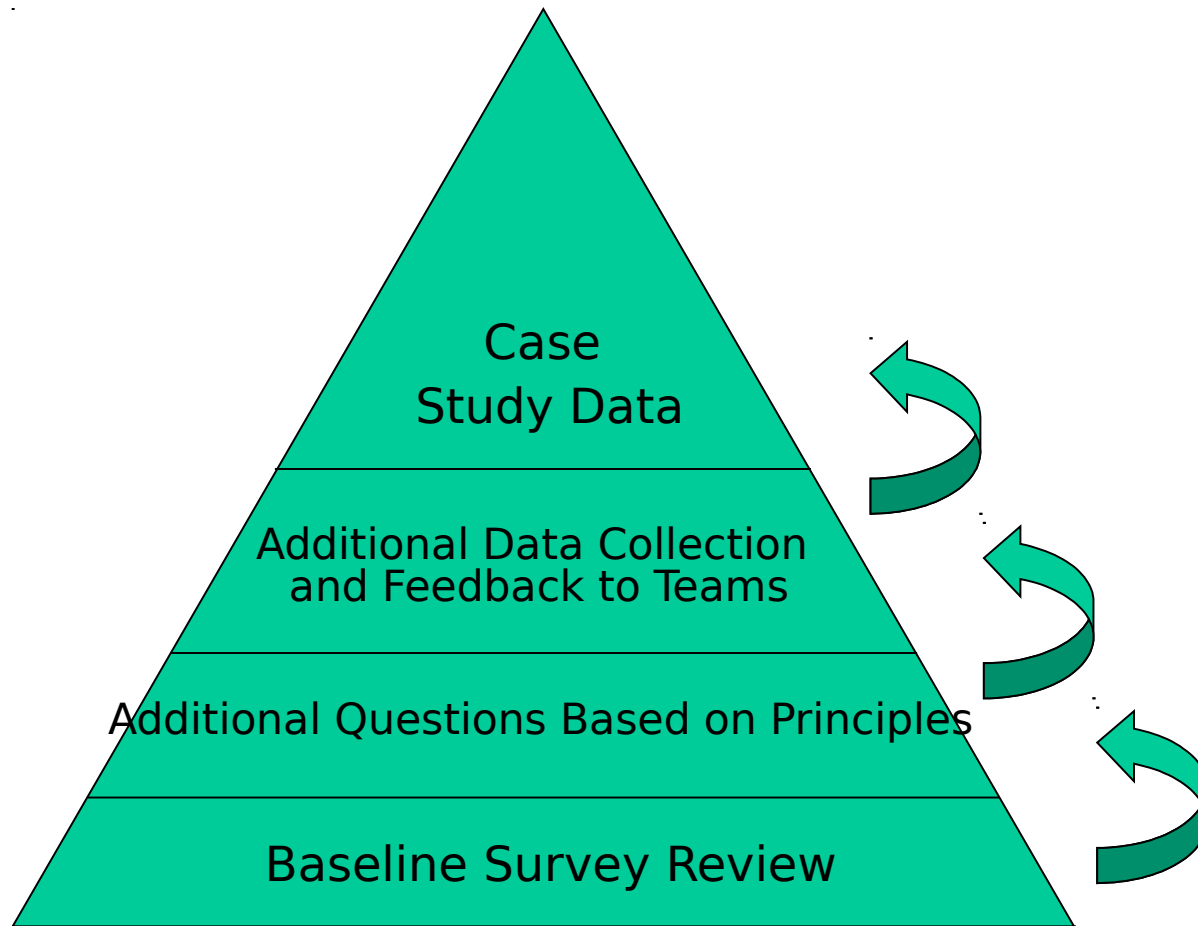


Case Study Methodology

- **Review original CAM-I ASIG survey**
- **Review High-Level Survey Returns**
- **Review Functional Level survey returns (if applicable)**
- **Develop Assessment Tool**
- **See what implementations are worth further review in context of our blue book**
- **Pilot Case Studies**
 - Start with the suggestions given for each principle/chapter
 - Review with group
 - Is data adequate for other teams?
- **Result: where and how we do our in-depth implementation study**
- **Report at Q2 2004 CAM-I**



Case Study Methodology Visual





Main Point: Case Study Report Elements

- **Introduction**
 - Objectives of the implementation
 - Principles demonstrated by the implementation
 - How does it add to the services' mission
- **The Study**
 - General (demographic stuff/objective of initiative)
 - Detail of case study (describe baseline/results)
- **Findings**
 - Relate to guiding principles
 - Value to organization
 - What was the success, what was the result
 - What difference did the PCM initiative make?
 - Lessons learned
- **Group feedback (will not be included in write up)**



Key Takeaways

- **We will be providing documentation of practical Performance and Cost Management experiences within the Armed Services**
- **Our case studies identify the extent to which implementations reviewed meet our guiding principles**



Progress Since Last Quarter

- **At end Q4:**
 - We identified team members/service participation
 - Draft methodology, team purpose and objectives, and case study outline completed
- **Since end Q4:**
 - Finalized the outline/elements for case study reports
 - Set goals for our studies
 - One from each service
 - Site visits are preferred
 - The study will assess the extent to which the implementation followed our guiding principles
 - Obtained Process Management IG Assessment Tool, a completed case study, and ABC Standards Group Assessment
 - Drafted our own assessment tool for use during site visits



Agenda Moving Forward (Post Q1)

- **Create final Assessment Tool - April 15**
- **Determine Assessment Tool Rating System**
 - This “rates” the extent to which implementations demonstrate our principles
 - The final will consider maturity
- **Create an approach for identifying case study candidates. Two approaches to be executed in parallel**
 - From the ASIG member suggestions (as indicated under each chapter). ASIG members to start draft case study reports
 - From analysis of our survey returns
- **Formalize the method for conducting the case study**
 - Site visits, phone calls, VTC
 - “Raters” from outside the organization under assessment



Information Requirements (What we need to move forward)

- **We need consensus descriptions behind our principles**
 - When we do our case study and ask questions, we better understand what we mean and have the right context
 - They are the basis of our assessment tool, so we want to minimize changes
- **We reached consensus on the following:**
 - Our implementation study contents/outline
 - Feedback is being integrated into the implementation study methodology
 - Potential study candidates